

New Issue: [San Diego \(County of\) CA](#)

**MOODY'S ASSIGNS MIG 1 RATING TO SAN DIEGO COUNTY AND SCHOOL DISTRICT TRAN PROGRAM
NOTE PARTICIPATIONS SERIES 2007 A**

Approximately \$96 Million Affected

San Diego (County of) CA
County
CA

Moody's Rating

ISSUE

RATING

Tax and Revenue Anticipation Note Program Note Participations, Series 2007A MIG 1

Sale Amount \$96,000,000

Expected Sale Date 06/06/07

Rating Description Tax and Revenue Anticipation Notes

Opinion

NEW YORK, Jun 2, 2007 -- Moody's Investors Service has assigned a MIG 1 rating to Series 2007 A of the San Diego County and School District Tax and Revenue Anticipation Note Program Note Participations. Series A is secured by San Diego County's Note. (Series B is secured by Notes issued by various school districts within the county; this series is discussed in a separate rating report.) Proceeds will be used to fund the seasonal cash flow needs of the county. The MIG 1 rating assigned to Series 2007A reflects the county's low borrowing amount, strong liquidity, and conservative cash flow assumptions. The county has not determined whether the final maturity of the Note will be 12- or 13-months; given the other credit strengths of the county this decision is not, in and of itself, material to the rating.

COUNTY'S CASH POSITION STRONG; BORROWING AMOUNT LOW

San Diego County's borrowing amount is lower this year than in recent years as it is only funding the cash flow needs of the county and not a working capital reserve. The county's borrowing amount represents a very low 2.8% of total projected fiscal 2008 receipts.

The county's cash position is strong and expected to remain so. At fiscal year end (FYE) 2006 cash in the general fund totaled \$376 million, up from \$219 million at FYE2005; as a percentage of receipts FYE2006 cash balances were 12.9% of receipts, up significantly from the prior year's 8% of receipts. The fiscal 2006 performance was well above initial projections, and the same is expected to be true of the current fiscal year.

General fund cash at FYE 2007 is expected to be unusually strong at \$547 million representing 18.0% of general fund receipts. This largely reflects continued healthy property tax receipts. While the real estate market in the county has softened significantly, properties continue to turn over and assessed value (AV) continues to grow. AV rose 12% in fiscal 2007, slower than the prior year's 13.2% but still quite robust. This AV increase translated into property tax revenue growth of 11% from fiscal 2006 to 2007. The county also has been able to hold the line on disbursements, notably restricting increases in salaries and benefits to 4%.

Projections for fiscal 2008 show a decrease in year-end general fund cash to \$427 million, which would still represent a healthy 12.5% of receipts. Revenue assumptions appear conservative in that they presume dramatic slowdowns in AV growth compared to the prior year. Projections reflect a 4% increase in property tax receipts, less than half the prior year growth rate, based on an increase in secured property taxes of 5% and an approximately 13% decrease in secured supplemental property taxes decrease. The disbursement projections are in large part fairly certain as the assumed 8% increase in salaries and benefits, the largest disbursement category, incorporates adjustments based upon signed labor contracts that extend through June 2009. The disbursements also assume potential increases in staffing which may or may not occur.

As in previous years the county projects substantial alternate liquidity which could supplement the projected cash balance if needed for TRAN repayment. This liquidity is projected to total \$262 million at FYE 2008, down from \$318 million projected for the current fiscal year end. This liquidity derives from a variety of sources including the county's workers compensation fund (projected at \$69 million at FYE2008) and

assorted trust and enterprise funds.

COUNTY INVESTMENT POOL STABLE AND LIQUID

The San Diego County Treasurer's pooled investment fund, which holds the county's and districts' operating funds, had a market value of \$5.2 billion as of April 30, 2007. Over 99% of the funds in the pool are attributable to agencies that are required by law to invest with the County Treasurer; the pool is therefore very stable. The pool is also very liquid, with all the investment securities rated Aaa or A-1 and 87% maturing within one year. The county has not yet determined whether its TRAN proceeds and set-asides will be invested in the county pool or in a guaranteed investment contract.

KEY STATISTICS:

County Issuer Rating: Aa2

Projected amount borrowed as % of receipts, FY 2008: 2.8%

Projected ending cash as % of receipts, FY 2008: 12.8%

Alternate Liquidity, Projected balance FY 2008: \$261.8 million

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